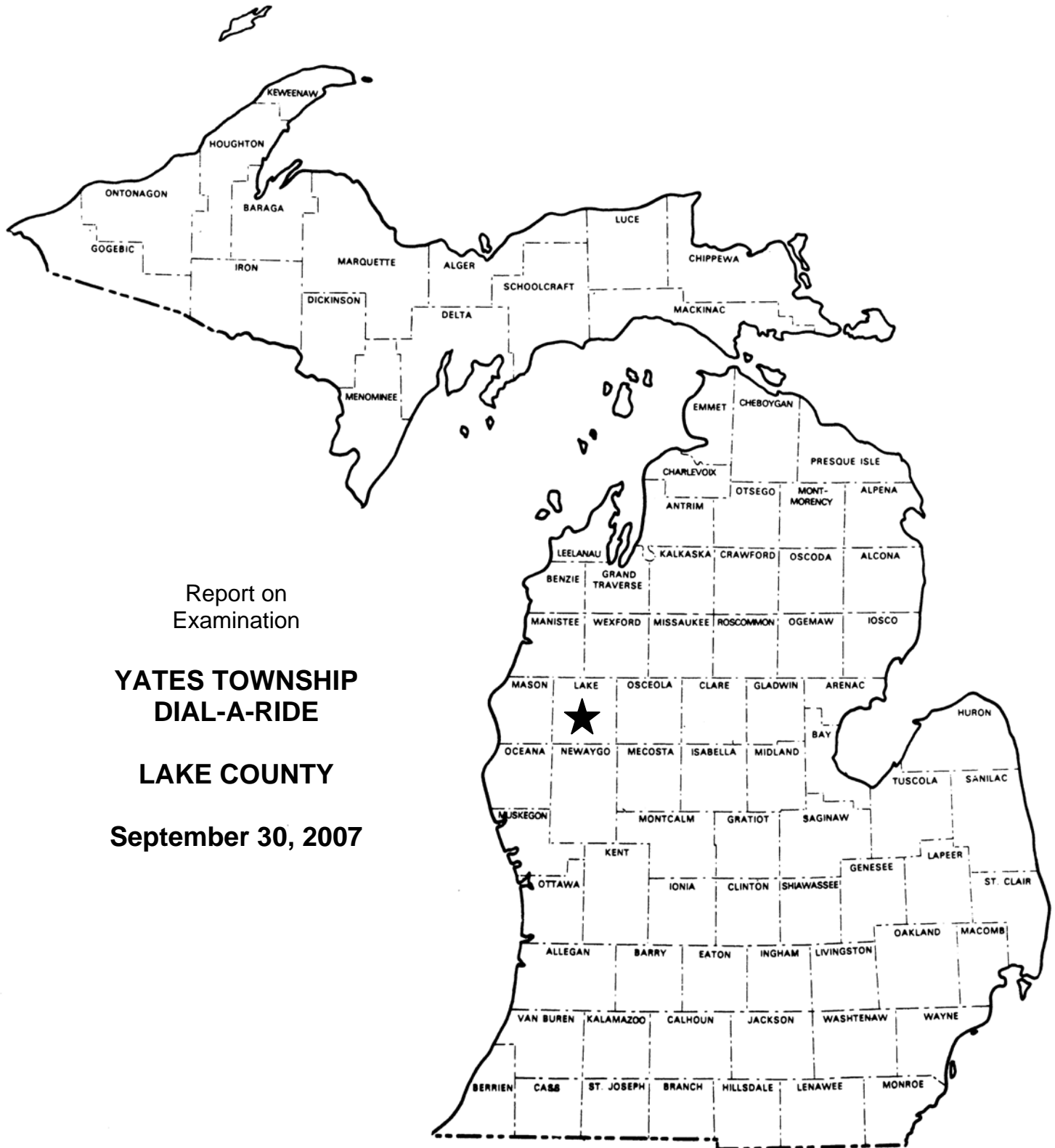


STATE OF MICHIGAN
JENNIFER M. GRANHOLM, Governor
DEPARTMENT OF TREASURY



Report on
Examination

**YATES TOWNSHIP
DIAL-A-RIDE**

LAKE COUNTY

September 30, 2007

YATES TOWNSHIP DIAL-A-RIDE

TRANSPORTATION SYSTEM

YATES TOWNSHIP BOARD

Donel Brown
Supervisor

Esther Ward
Treasurer

Doris Strauss
Clerk

Nicollette McClure
Trustee

Ann Fant
Trustee

DIAL-A-RIDE

Vedra Gant
Director

Candace Fisher
Bookkeeper

YATES TOWNSHIP POPULATION--2000

714

STATE EQUALIZED VALUATION--2007

\$49,386,263



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 29, 2007

Yates Township
Dial-A-Ride
P.O. Box 147
Idlewild, Michigan 49642

RE: Unqualified Opinion on Basic Financial Statements

Independent Auditor's Report

Dear Board Members:

We have audited the accompanying financial statements of the business-type activities of the Yates Township Dial-A-Ride, a component unit of Yates Township, Lake County, Michigan, as of and for the year ended September 30, 2007, which comprise the Authority's basic financial statements as listed in the table of contents. These financial statements are the responsibility of the Authority's management. Our responsibility is to express opinions on these financial statements based on our audit.

We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States. Those standards require that we plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement. An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements. An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation. We believe that our audit provides a reasonable basis for our opinions.

In our opinion, the financial statements referred to above present fairly, in all material respects, the respective financial position of the business-type activities of the Yates Township Dial-A-Ride as of September 30, 2007, and the respective changes in financial position and cash flows, where applicable, thereof for the year then ended in conformity with accounting principles generally accepted in the United States of America.

In accordance with Government Auditing Standards, we have also issued our report dated November 29, 2007 on our consideration of the Yates Township Dial-A-Ride's internal control over financial reporting and on our tests of its compliance with certain provisions of laws, regulations, contracts, grant agreements, and other matters. The purpose of that report is to

describe the scope of our testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance. That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of our audit.

The Management's Discussion and Analysis on pages 1 through 4 is not a required part of the basic financial statements, but is supplementary information required by accounting principles generally accepted in the United States of America. We have applied certain limited procedures, which consisted principally of inquiries of management regarding the methods of measurement and presentation of the required supplementary information. However, we did not audit the information and express no opinion on it.

Our audit was conducted for the purpose of forming an opinion on the financial statements that collectively comprise the Yates Township Dial-A-Ride's basic financial statements. The accompanying supplemental information in Schedules 1, 2, 3, 4R, 4E, and 5 are presented for purposes of additional analysis and is not a required part of the basic financial statements. With the exception of Schedule 4N marked "unaudited," the information on schedules 1, 2, 3, 4R, 4E, and 5 have been subjected to the auditing procedures applied in the audit of the basic financial statements and, in our opinion, are fairly stated, in all material respects, in relation to the basic financial statements, taken as a whole.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division

YATES TOWNSHIP DIAL-A-RIDE

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YATES TOWNSHIP DIAL-A-RIDE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Using this Annual Report

Our discussion and analysis of the Yates Township Dial-a-Ride's financial performance provides an overview of the Dial-A-Ride's financial activities for the fiscal year ended September 30, 2007. This annual report consists of a series of financial statements. The Statement of Net Assets and the Statement of Revenue, Expenses, and Changes in Net Assets provide information about the activities of the Dial-A-Ride and present a longer-term view of their finances.

Overview of the Financial Statements

This annual report consists of three parts--management's discussion and analysis (this section), the basic financial statements, and an additional section that presents supplemental information and schedules. The basic financial statements include two kinds of statements that present different views of the Dial-A-Ride:

- The first two statements are financial statements that provide both long-term and short-term information about the Dial-A-Ride's overall financial status. These statements report information about the Dial-A-Ride, as a whole, using accounting methods similar to those used by private-sector companies. The Statement of Net Assets includes all of the Dial-A-Ride's assets and liabilities. All of the current year's revenues and expenses are accounted for in the Statement of Revenue, Expenses, and Changes in Net Assets regardless of when cash is received or paid. The two statements report the Dial-A-Ride's net assets and how they have changed. "Net Assets" is the difference between the assets and liabilities--this is one way to measure the Dial-A-Ride's financial health or position.
- The remaining Statement of Cash Flows is to demonstrate the activities of the Dial-A-Ride as it relates to cash flows from operating activities, cash flows from noncapital financing activities, cash flows from capital and related financing, and cash flows from investing activities.

Reporting the Dial-A-Ride as a Whole

The Statement of Net Assets and the Statement of Revenues, Expenses, and Changes in Net Assets report information about the Dial-A-Ride, as a whole, and about its activities in a way that helps answer the question of whether the Dial-A-Ride, as a whole, is better off or worse off as a result of the year's activities. The Statement of Net Assets include all of the Dial-A-Ride's assets and liabilities using the accrual basis of accounting, which is similar to the accounting method used by most private-sector companies. All of the current year's revenues and expenses are accounted for in the Statement of Revenues, Expenses, and Changes in Net Assets regardless of when cash is received or paid.

YATES TOWNSHIP DIAL-A-RIDE

MANAGEMENT'S DISCUSSION AND ANALYSIS

The two statements, mentioned above, report the Dial-A-Ride's net assets and how they have changed. The reader can think of the Dial-A-Ride's net assets (the difference between assets and liabilities) as one way to measure the Dial-A-Ride's financial health or financial position. Over time, increases or decreases in the Dial-A-Ride's net assets are one indicator of whether its financial health is improving or deteriorating, respectively. To assess the overall health of the Dial-A-Ride you need to consider additional nonfinancial factors such as changes in the county's property tax base, the condition of the Dial-A-Ride's buses, and changes in the laws related to the operating assistance received from the Federal and State government.

Financial Analysis of the Dial-A-Ride as a Whole

The Dial-A-Ride's net assets increased approximately 4.77%, or \$115,732, from \$2,424,073 to \$2,539,805 for the year ended September 30, 2007. The net assets and change in net assets are summarized below.

Net Assets

The unrestricted net assets increased by \$303,302 and the investment in capital assets decreased by \$187,570 during 2007. The decrease in the investment in capital assets decreased due to the depreciation on the capital asset.

Net assets as of year ended September 30, 2007 are as follows:

	<u>2006</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Current and Other Assets	\$ 1,619,149	\$ 1,914,781	\$ 295,632	18.26%
Net Capital Assets	<u>848,368</u>	<u>660,798</u>	<u>(187,570)</u>	<u>-22.11%</u>
Total Assets	<u>2,467,517</u>	<u>2,575,579</u>	<u>108,062</u>	<u>4.38%</u>
Current Liabilities	<u>43,444</u>	<u>35,744</u>	<u>(7,700)</u>	<u>-17.72%</u>
Total Liabilities	<u>43,444</u>	<u>35,744</u>	<u>(7,700)</u>	<u>-17.72%</u>
Net Assets				
Invested in Capital Assets				
Net of Related Debt	848,368	660,798	(187,570)	-22.11%
Unrestricted	<u>1,575,705</u>	<u>1,879,007</u>	<u>303,302</u>	<u>19.25%</u>
Total Net Assets	<u>\$ 2,424,073</u>	<u>\$ 2,539,805</u>	<u>\$ 115,732</u>	<u>4.77%</u>

YATES TOWNSHIP DIAL-A-RIDE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Changes in Net Assets

	<u>2006</u>	<u>2007</u>	<u>Variance</u>	<u>%</u>
Operating Revenue				
Charges for Services	\$ 366,695	\$ 607,994	\$ 241,299	65.80%
Nonoperating Revenue				
Local Contributions	13,385	19,108	5,723	42.76%
Tax Levy	145,861	166,095	20,234	13.87%
State of Michigan Operating Grants	560,669	534,601	(26,068)	-4.65%
Federal Operating Grants	244,816	243,737	(1,079)	-0.44%
Interest Earned	46,956	75,834	28,878	61.50%
Prior Year Adjustments	133	19,768	19,635	14763.16%
Nontransportation Revenue	20,013	4,163	(15,850)	-79.20%
Total Revenue	<u>1,398,528</u>	<u>1,671,300</u>	<u>272,772</u>	<u>19.50%</u>
Operating Expense				
Salaries and Wages	996,696	921,069	(75,627)	-7.59%
Depreciation	222,047	187,569	(34,478)	-15.53%
Other	433,510	446,930	13,420	3.10%
Total Operating Expense	<u>1,652,253</u>	<u>1,555,568</u>	<u>(96,685)</u>	<u>-5.85%</u>
Income (Loss) Before Capital Contributions	(253,725)	115,732	369,457	-145.61%
Capital Contributions			-	
Increase in Net Assets	(253,725)	115,732	369,457	-145.61%
Beginning Net Assets	<u>2,677,798</u>	<u>2,424,073</u>	<u>(253,725)</u>	<u>-9.48%</u>
Ending Net Assets	<u>\$ 2,424,073</u>	<u>\$ 2,539,805</u>	<u>\$ 115,732</u>	<u>4.77%</u>

The charges for services have increased as the Dial-A-Ride is collecting revenues from the school on a timelier basis. In regards to all other revenues and expenses, there have not been any other significant changes.

YATES TOWNSHIP DIAL-A-RIDE

MANAGEMENT'S DISCUSSION AND ANALYSIS

Capital Asset Administration

As of September 30, 2007, the Dial-A-Ride had \$660,798 invested in capital assets. This amount represents a net decrease (including additions and deductions) of \$187,569 or 22.11% as follows:

	2006	2007	Total Percentage Change 2006-2007
Capital Assets Being Depreciated			
Building	\$ 360,211	\$ 360,211	0.00%
Bus Garage	266,804	266,804	0.00%
General Equipment	24,863	24,863	0.00%
Buses	1,550,321	1,489,943	-3.89%
Subtotal	2,202,199	2,141,821	-2.74%
Total Capital Assets	2,202,199	2,141,821	-2.74%
Total Accumulated Depreciation	1,353,832	1,481,023	9.39%
Total Net Capital Assets	\$ 848,367	\$ 660,798	-22.11%

Debt

The Yates Township Dial-A-Ride does not have any long-term debt.

Economic Factors and Next Year's Budget

The 2007/2008 budget will remain relatively the same as the Dial-A-Ride is not expecting any significant changes in its operating budget. The Dial-A-Ride has been approved to receive three new buses in the new year.

Contacting the Dial-A-Ride's Management

This financial report is intended to provide our citizens, taxpayers, customers and investors with a general overview of the Dial-A-Ride's finances and to show accountability for the money it receives. If you have questions about this report or need additional information, we welcome you to contact the Director's Office at Post Office Box 147, Idlewild, Michigan 49642.

**YATES TOWNSHIP DIAL-A-RIDE
STATEMENT OF NET ASSETS
September 30, 2007**

EXHIBIT A

ASSETS

Current Assets	
Cash	\$ 1,901,058
Accounts Receivable--General	9,375
Due From County	<u>4,348</u>
Total Current Assets	<u>1,914,781</u>
Noncurrent Assets	
Capital Assets (Net of Accumulated Depreciation)	<u>660,798</u>
Total Noncurrent Assets	<u>660,798</u>
Total Assets	<u><u>\$2,575,579</u></u>

LIABILITIES AND FUND EQUITY

Current Liabilities	
Accounts Payable	\$ 1,928
Due to State	20,505
Accrued Payroll Liabilities	<u>13,341</u>
Total Current Liabilities	<u><u>\$ 35,774</u></u>

NET ASSETS

Invested in Capital Assets--Net of Related Debt	\$ 660,798
Unrestricted	<u>1,879,007</u>
Total Net Assets	<u><u>\$2,539,805</u></u>

The Notes to Financial Statements are an integral part of this statement.

YATES TOWNSHIP DIAL-A-RIDE
STATEMENT OF REVENUES, EXPENSES AND CHANGES
IN NET ASSETS
For the Year Ended September 30, 2007

EXHIBIT B

Operating Revenue	
Fares--Demand Response	\$ 32,703
School Transportation Revenue	575,291
Special Transit Fares	19,108
	<hr/>
Total Operating Revenue	627,102
	<hr/>
Operating Expense	
Salaries, Wages and Fringe Benefits	921,069
Depreciation	187,569
Other	446,930
	<hr/>
Total Operating Expense	1,555,568
	<hr/>
Operating Income (Loss)	(928,466)
	<hr/>
Nonoperating Revenue	
Tax Levy	166,095
State of Michigan Operating Grants	
Local Bus Operating Assistance (Act 51)	513,538
Specialized Services	17,048
Operating Assistance--Capital Contracts	4,015
Federal Operating Grants	
USDOT Operating Grant	225,055
Rural Transit Assistance Program	2,622
Operating Assistance--Capital Contracts	16,060
State and Federal Grants--Prior Year Adjustments	19,768
Interest Earned	75,834
Nontransportation Revenue--Outside Vehicle Maintenance	4,163
	<hr/>
Total Nonoperating Revenue	1,044,198
	<hr/>
Change in Net Assets	115,732
	<hr/>
Total Net Assets--October 1, 2006	2,424,073
	<hr/>
Total Net Assets--September 30, 2007	<u>\$ 2,539,805</u>

The Notes to Financial Statements are an integral part of this statement.

**YATES TOWNSHIP DIAL-A-RIDE
STATEMENT OF CASH FLOWS
For the Year Ended September 30, 2007**

EXHIBIT C

Cash Flows From Operating Activities	
Cash Received From Customers	\$ 635,946
Cash Payments to Employees for Services and Benefits	(920,145)
Cash Payments to Suppliers for Goods and Services	<u>(454,606)</u>
Net Cash Provided by Operating Activities	<u>(738,805)</u>
Cash Flows From Noncapital Financing Activities	
Nontransportation Revenue	4,163
Tax Levy	187,701
State Grants	533,683
Federal Grants	<u>243,737</u>
Net Cash Provided by Noncapital Financing Activities	<u>989,052</u>
Cash Flows From Investing Activities	
Interest on Cash Equivalents	<u>75,834</u>
Net Cash Provided by Investing Activities	75,834
Net Increase in Cash and Cash Equivalents	326,081
Cash at Beginning of the Year	<u>1,574,977</u>
Cash at End of the Year	<u><u>\$ 1,901,058</u></u>
Reconciliation of Operating Income to Net Cash Provided by Operating Activities	
Operating Income (Loss)	\$ (928,466)
Adjustments to Reconcile Net Income to Net Cash Provided by Operating Activities (Noncash Items)	
Depreciation Expense	187,569
Increase in Accounts Receivable	8,844
(Decrease) in Accounts Payable	(7,676)
(Decrease) in Other Accrued Liabilities	<u>924</u>
Net Cash Provided by Operating Activities	<u><u>\$ (738,805)</u></u>

The Notes to Financial Statements are an integral part of this statement.

YATES TOWNSHIP DIAL-A-RIDE
NOTES TO FINANCIAL STATEMENTS

NOTE A--REPORTING ENTITY

The Yates Township Dial-A-Ride is, for financial reporting purposes within generally accepted accounting principles, an enterprise fund of Yates Township (Transportation Fund).

The purpose of the Dial-A-Ride is to acquire, operate, and manage a public transportation system within the boundaries of Yates Township and the surrounding areas within Lake County.

The criteria established by the Governmental Accounting Standards Board (GASB) Statement No. 14, "The Financial Reporting Entity," for determining the reporting entity includes oversight responsibility, fiscal dependency, and whether the financial statements would be misleading if the component unit data were not included. Based on the above criteria, the financial statements of the Yates Township Dial-A-Ride are a component unit of Yates Township.

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES

Basis of Presentation--Government-Wide Financial Statements

The government-wide financial statements (i.e., the Statement of Net Assets and the Statement of Revenue, Expenses and Changes in Net Assets) report information of the activities of the Yates Township Dial-A-Ride. There is only one fund reported in the government-wide financial statements.

The Statement of Net Assets presents the Dial-A-Ride's assets and liabilities with the difference being reported as either invested in capital assets or restricted net assets.

The Statement of Revenue, Expenses and Changes in Net Assets demonstrates the degree to which the operating expenses of a given function or segment is offset by operating revenues. Operating expenses are those that are clearly identifiable with a specific function or segment. Operating revenues include: (1) charges to customers or applicants who purchase, use or directly benefit from goods, services or privileges provided by a given function or segment; and (2) grants and contributions that are restricted to meeting the operational or capital requirements of a particular function or segment. Taxes and other items not properly included among operating revenues are reported instead as nonoperating revenue.

The financial activities of the Dial-A-Ride are recorded in an enterprise fund. This fund accounts for operations: (a) that are financed and operated in a manner similar to private business enterprises, where the intent of the governing body is that the costs (expenses including depreciation) of providing goods or services to the general public on a continuing basis be financed or recovered primarily through user charges; or (b) where the governing body has decided that periodic determination of revenue earned, expenses incurred, and/or net income is appropriate for capital maintenance, public policy, management control, accountability or other purposes.

YATES TOWNSHIP DIAL-A-RIDE
NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Measurement Focus/Basis of Accounting--Government-Wide Financial Statements

The government-wide financial statements are reported using the economic resources measurement focus and the accrual basis of accounting. Revenue is recorded when earned and expenses are recorded when a liability is incurred, regardless of the timing of related cash flows. Property taxes are recognized as revenue in the year for which they are levied. Grants and similar items are recognized as revenue as soon as all eligibility requirements imposed by the provider have been met.

Proprietary funds distinguish operating revenue and expenses from nonoperating items. Operating revenue and expenses generally result from providing services in connection with a proprietary fund's principal ongoing operations. The principal operating revenue of our proprietary fund relates to charges to customers for providing busing services. The portion intended to recover the cost of the infrastructure is recognized as nonoperating revenue. Operating expenses for proprietary funds include the cost of the busing services, administrative expenses, and depreciation on capital assets. All revenue and expenses not meeting this definition are reported as nonoperating revenue and expenses.

Private-sector standards of accounting and financial reporting, issued prior to December 1, 1989, are generally followed in both the government-wide and proprietary fund financial statements to the extent that those standards do not conflict with or contradict guidance of the Governmental Accounting Standards Board. Governments also have the *option* of following subsequent private-sector guidance for their business-type activities and enterprise funds, subject to this same limitation. The Dial-A-Ride has elected to consistently apply all applicable FASB pronouncements issued subsequent to November 30, 1989 in accounting and reporting for its proprietary operation.

When both restricted and unrestricted resources are available for use, it is the Dial-A-Ride's policy to use restricted resources first, then unrestricted resources as needed.

Cash and Investments

Cash is considered to be cash on hand, demand deposits and short-term investments with a maturity of three months or less when acquired. The statement of cash flows includes both restricted and unrestricted cash and cash equivalents. Investments are stated at fair value and short-term investments are reported at cost, which approximates fair value.

Capital Assets

Capital assets, which include property, plant, and equipment, are reported in the Operating Fund in the government-wide financial statements. Costs relating to maintenance and repairs are charged to expense, whereas those for renewals and betterments, when significant in amount, are capitalized. Capital assets are defined by the government as assets with an initial individual cost of more than \$5,000. Such assets are recorded at historical cost or estimated historical cost if purchased or constructed. Donated capital assets are recorded at estimated fair market value at the date of donation.

YATES TOWNSHIP DIAL-A-RIDE
NOTES TO FINANCIAL STATEMENTS

NOTE B--SUMMARY OF SIGNIFICANT ACCOUNTING POLICIES (Continued)

Provisions for depreciation of equipment are computed on the straight-line method.

Depreciation rates are designed to amortize the cost of the assets over their estimated useful lives as follows:

Operating Facility	12 to 20 years
Buses	3 to 7 years
Maintenance Equipment	3 to 10 years
Office Equipment	6 to 10 years

Use of Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of the following: assets and liabilities; the disclosure of contingent assets and liabilities at the date of the financial statements; and the reported amounts of revenues and expenses during the reporting period. Actual results could differ from those estimates.

Fiscal Year

Yates Township Dial-A-Ride operates on the fiscal year of the grantor, October 1 to September 30. The fiscal year differs from the March 31 fiscal year of the township.

NOTE C--CASH DEPOSITS AND INVESTMENTS

Deposits are carried at cost. Deposits of the Dial-A-Ride are at one bank in the name of the Yates Township Treasurer. Michigan Compiled Laws, Section 129.91 et al., authorizes Yates Township to deposit and invest in the accounts of Federally insured banks, credit unions, savings and loan associations; bonds, securities, and other obligations of the United States, or an agency or instrumentality of the United States; United States government or Federal agency obligation repurchase agreements; bankers' acceptance of United States banks, commercial paper rated by two standard rating agencies within the two highest classifications, which mature not more than 270 days after the date of purchase; obligations of the State of Michigan or its political subdivisions which are rated investment grade; and mutual funds composed of investment vehicles which are legal for direct investment by local units of government in Michigan. Financial institutions eligible for deposit of public funds must maintain an office in Michigan.

The Yates Township Dial-A-Ride's deposits are in accordance with statutory authority.

YATES TOWNSHIP DIAL-A-RIDE
NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

The risk disclosures for the Dial-A-Ride's deposits, as required by GASB Statement No. 40, are as follows:

	<u>Business-Type Activities</u>
Cash	\$1,900,758
Petty Cash	<u>300</u>
Total Deposits	<u><u>\$1,901,058</u></u>

The bank balance of the Dial-A-Ride's deposits is \$1,916,116, of which \$100,000 is covered by Federal depository insurance. The Dial-A-Ride has also had the bank institution collateralize \$1,500,000 by securities by the pledging institution.

Investments Authorized by the Dial-A-Ride's Investment Policy

The Dial-A-Ride's investment policy authorizes investment in all those that are authorized by law. As stated above, the Dial-A-Ride did not have any investments in the fiscal year ended September 30, 2007.

Disclosures Relating to Credit Risk

Generally, credit risk is the risk that an issuer of an investment will not fulfill its obligation to the holder of the investment. This is measured by the assignment of a rating by a nationally recognized statistical rating organization. The Dial-A-Ride's investment policy does not contain specific provisions to limit the Dial-A-Ride's exposure to credit risk.

Disclosures Relating to Interest Rate Risk

Interest rate risk is the risk that changes in market interest rates will adversely affect the fair value of an investment. Generally, the longer the maturity of an investment, the greater the sensitivity of its fair value to changes in market interest rates. The Dial-A-Ride's investment policy does not contain specific provisions to limit the Dial-A-Ride's exposure to interest rate risk.

Concentration of Credit Risk

Concentration of credit risk is the risk of loss attributed to the magnitude of an entity's investment in a single issuer where the investment is 5% or greater.

The Dial-A-Ride's investment policy requires assets to be diversified to eliminate the risk of loss resulting from over concentration in a specific maturity, individual financial institution(s) or a specific class of securities.

YATES TOWNSHIP DIAL-A-RIDE
NOTES TO FINANCIAL STATEMENTS

NOTE C--CASH DEPOSITS AND INVESTMENTS (Continued)

Custodial Credit Risk

Custodial credit risk for deposits is the risk that, in the event of the failure of a depository financial institution, a government will not be able to recover its deposits or will not be able to recover collateral securities that are in the possession of an outside party. Michigan law does not contain requirements that would limit the exposure to custodial credit risk for deposits. However, the asset diversification requirements included in the Dial-A-Ride's investment policy would limit, to some extent, exposure to custodial credit risk for deposits.

The custodial credit risk for investments is the risk that, in the event of the failure of the counterparty (e.g., broker-dealer) to a transaction, a government will not be able to recover the value of its investment or collateral securities that are in the possession of another party. Michigan law does not contain legal requirements that would limit the exposure to custodial credit risk for investments. However, the Dial-A-Ride's investment policy does contain a safekeeping and custody section that would limit the exposure to custodial credit risk for investments. With respect to investments, custodial credit risk generally applies only to direct investments in marketable securities. Custodial credit risk does not apply to a local government's indirect investment in securities through the use of mutual funds or government investment pools. The Dial-A-Ride is not exposed to custodial credit risk for investments.

NOTE D--ACCOUNTS RECEIVABLE

The accounts receivable balance consists of contract fares, advertising, and regular fares that were outstanding at September 30, 2007.

NOTE E--PROPERTY TAXES

Property taxes are levied each December 1 on the taxable valuation of properties located in the County of Lake as of the preceding December 31. The County of Lake's 2006 ad valorem tax was levied and collectible on December 1, 2006. It is the policy of Yates Township Dial-A-Ride to recognize revenue from the current tax levy in the 2006/2007 fiscal year when the proceeds of this levy are budgeted and made available for the financing of the Dial-A-Ride's operations.

The 2006 real and personal taxable valuation of the County of Lake property amounted to \$438,965,102. Ad valorem taxes of 0.3858 mills were levied for Yates Township Dial-A-Ride operating purposes amounting to \$169,353.

YATES TOWNSHIP DIAL-A-RIDE
NOTES TO FINANCIAL STATEMENTS

NOTE F--DUE TO STATE

The following amounts were due at September 30, 2007:

Federal Section 5311 Operating Assistance	
Contract 02-0093Z10 for Fiscal Year 2003/2004	\$ 24,383
Contract 02-0093Z17 for Fiscal Year 2006/2007	36,602
State Operating Assistance--Fiscal Year 2004/2005	(19,011)
State Operating Assistance--Fiscal Year 2005/2006	(36,325)
State Operating Assistance--Fiscal Year 2006/2007	(27,154)
Specialized Services--Fiscal Year 2006-2007	<u>1,000</u>
Total	<u><u>\$(20,505)</u></u>

NOTE G--CAPITAL ASSETS

Capital asset activity of the primary government for the current year was as follows:

<u>Business-Type Activities</u>	<u>Beginning Balance</u>	<u>Increases</u>	<u>Decreases</u>	<u>Ending Balance</u>
Capital Assets Being Depreciated				
Building	\$ 360,211			\$ 360,211
Bus Garage	266,804			266,804
General Equipment	24,863			24,863
Buses	<u>1,550,321</u>		<u>\$ 60,378</u>	<u>1,489,943</u>
Subtotal	<u>2,202,199</u>	<u>\$ -</u>	<u>60,378</u>	<u>2,141,821</u>
Less Accumulated Depreciation for				
Building	266,216	18,011		284,227
Bus Garage	84,062	13,340		97,402
General Equipment	12,871	2,290		15,161
Buses	<u>990,683</u>	<u>153,928</u>	<u>60,378</u>	<u>1,084,233</u>
Subtotal	<u>1,353,832</u>	<u>187,569</u>	<u>60,378</u>	<u>1,481,023</u>
Net Capital Assets Being Depreciated	<u>848,367</u>	<u>(187,569)</u>	<u>-</u>	<u>660,798</u>
Business-Type Activities Capital Total				
Capital Assets--Net of Depreciation	<u><u>\$ 848,367</u></u>	<u><u>\$ (187,569)</u></u>	<u><u>\$ -</u></u>	<u><u>\$ 660,798</u></u>

YATES TOWNSHIP DIAL-A-RIDE
NOTES TO FINANCIAL STATEMENTS

NOTE H--COMPENSATED ABSENCES

The personnel policies manual provides that vacation leave is earned in varying amounts depending on the number of years of service, and whether an employee is full-time or regularly scheduled as part-time.

Administrative policy requires that all vacation leave be used in the same fiscal year earned. In event of retirement or separation, all accrued vacation time will be approved for payment to the employee. In the event of death, accrued vacation will be paid to the full-time employee's estate. There is no pay-off of unused sick leave.

Sick leave is accumulated at the rate of 12 days per year for full-time employees.

NOTE I--EMPLOYEES' RETIREMENT SYSTEM DEFINED CONTRIBUTION

Plan Description

The Yates Township Dial-A-Ride is a participant employer in a defined contribution plan administered by Public Employers Retirement Trust. The administrator prepares separate financial statements as required by State statute. All employees of the Yates Township Dial-A-Ride can participate in the pension plan. As of September 30, 2007, the pension plan's current membership was 10 employees.

A defined contribution plan provides pension benefits in return for services rendered, provides an individual account for each participant, and specifies how contributions to the individual's account are to be determined instead of specifying the amount of benefits the individual is to receive. Under a defined contribution pension plan, the benefits a participant will receive depend solely on the amount contributed to the participant's account, the returns earned on investments of those contributions, and forfeitures of other participants' benefits that may be allocated to such participant's account. To be eligible, a participant in the plan must attain the age of 18 and complete one month of service. Contributions made by an employee vest immediately and contributions made by the Yates Township Dial-A-Ride vest on a six-year graduated vesting schedule. An employee that leaves the employment of the Yates Township Dial-A-Ride is entitled to his contributions and the Yates Township Dial-A-Ride's contributions if vesting requirements are satisfied. The employee may contribute any amount and the employer will match up to 5% of the employee's compensation. The Yates Township Dial-A-Ride's total covered payroll was \$306,632 and the total payroll was \$680,031. The required employer contributions were \$12,831, and the employee contributions were \$13,585. These payroll amounts are based on the fiscal year.

YATES TOWNSHIP DIAL-A-RIDE
NOTES TO FINANCIAL STATEMENTS

NOTE J--POST-EMPLOYMENT BENEFITS

Yates Township Dial-A-Ride provides health insurance for employees during retirement providing the employee has completed 20 years of accumulated employment at Yates Township Dial-A-Ride. The insurance will be provided through an insurance program selected by Yates Township Dial-A-Ride. The level of coverage will be the same as what is offered to active employees. Retirees who qualify for Medicare coverage will be required to submit claims through Medicare, with the Yates Township Dial-A-Ride health insurance program providing supplemental health insurance. Employees choosing not to accept this insurance at the time of retirement or termination give up their right to this coverage. Employees choosing to also cover a spouse or other family member will pay the difference in premium between single coverage for them and the coverage they seek. Currently, no retirees participate in this plan.

NOTE K--RISK MANAGEMENT

The Yates Township Dial-A-Ride is exposed to various risks of loss related to property loss, torts, errors and omissions, employee injuries, as well as medical benefits provided to employees. The Dial-A-Ride has purchased commercial insurance for business auto repairs, commercial general liability, commercial inland marine (radio and TV), commercial property (building and contents), computerized business equipment, workers' compensation and medical benefit claims. The Dial-A-Ride participates in the Michigan Transit Pool for claims relating to auto and general liability. The Michigan Transit Insurance Pool (Pool) was created pursuant to the provisions of Public Act 35 of 1951, as amended, and was incorporated under the Michigan Nonprofit Corporation Act, being MCL Sections 450.2101, et seq., as the Michigan Transit Pool, Inc.

The Pool is to provide administrative loss protection programs for the members, to pool losses and claims, to jointly purchase commercial services, including claims adjusting, data processing, risk management consulting, loss prevention, legal and related services. The Michigan Transit Insurance Pool is a separate legal and administrative entity. Settled claims for the commercial insurance have not exceeded the amount of insurance coverage in any of the past 3 fiscal years.

NOTE L--SUBSEQUENT EVENT

In October 2007, the Dial-A-Ride received three new El Dorado buses totaling \$228,156. These buses are 100% funded through capital assistance grants from the Michigan Department of Transportation and Federal Bureau of Transportation.

YATES TOWNSHIP DIAL-A-RIDE
NOTES TO FINANCIAL STATEMENTS

NOTE M--NONFINANCIAL DATA

The methodology used for compiling mileage on Operating Assistance Schedule 4N is based on the Dial-A-Ride's daily procedures and recorded in accordance with Michigan Department of Transportation's Local Public Transit Revenue and Expense Manual. We did not review the methodology for the Dial-A-Ride's process. Schedule 4N is presented as an "unaudited" schedule and, accordingly, we do not express an opinion on the information.

YATES TOWNSHIP DIAL-A-RIDE
LOCAL REVENUES
For the Year Ended September 30, 2007

SCHEDULE 1

LOCAL REVENUES	
Farebox	\$ 32,703
Contract Fares	594,399
Sales of Maintenance Services	4,163
Taxes Levied Directly for/by Transit Agency	166,095
Interest Income	<u>75,832</u>
Total Local Revenues	<u><u>\$ 873,192</u></u>

YATES TOWNSHIP DIAL-A-RIDE
SCHEDULE OF EXPENDITURES OF FEDERAL AND STATE AWARDS (1,2)
For the Year Ended September 30, 2007

SCHEDULE 2

	Federal CFDA Number	Grant No./ Authorization Number	Program Award Amount	Current Year's Expenditures				Prior Year's Expenditure	Amount Remaining
				Total	Federal	State	Local		
<u>US Department of Transportation</u>									
Passed Through Michigan Department of Transportation									
Operating Assistance--Section 5311	20.509	2002-0093Z8	\$ 25,000	\$ 11,903 (3)	\$ 9,522	\$ 2,381			\$ 13,097
Operating Assistance--Section 5311	20.509	2002-0093Z11	60,000	8,172 (3)	6,538	1,634			51,828
Operating Assistance--Section 5311	20.509	2007-0302Z2	310,542	225,055	225,055 (4)				85,487
Rural Transit Assistance Program	20.509	N/A	2,622	2,622	2,622				-
<u>Michigan Department of Transportation</u>									
Operating Assistance--Act 51	N/A	N/A	513,538	513,538		513,538 (5)			-
Specialized Services	N/A	2002-0093Z16	17,048	17,048		17,048			-
Net Unreimbursed Eligible Operating Expenses				551,354					
Total Department of Transportation				\$ 1,329,692	\$243,737	\$534,601	\$ -	\$ -	\$150,412

The Notes to Schedule of Expenditures of Federal and State Awards are an integral part of this statement.

YATES TOWNSHIP DIAL-A-RIDE
NOTES TO SCHEDULE OF EXPENDITURES OF
FEDERAL AND STATE AWARDS

SCHEDULE 2A

1. The accompanying Schedule of Expenditures of Federal and State Awards presents the activity of all Federal and State awards programs of Yates Township Dial-A-Ride (DAR). Federal and State awards received directly from Federal or State agencies, as well as Federal or State awards passed through other government agencies, are included on the schedule.
2. The accompanying Schedule of Expenditures of Federal and State Awards is presented using the accrual basis accounting which is described in Note B of the DAR's basic financial statements.
3. The operating assistance listed under the capital contracts is for equipment purchased under the grant agreements costing less than \$5,000 and not capitalized.
4. Maximum Section 5311 operating assistance revenue can be 17% of Net Eligible Expenses as presented in Schedule 2, not to exceed the local match or contract limit. The Federal Section 5311 operating assistance of \$225,055 was recognized based on the contract limit.
5. State operating assistance of \$513,538 was recognized based on the net eligible costs computation as presented in Schedule 2. The actual revenue to be received from the State is uncertain because the revenue is based on a fixed amount of state-wide available funding. It could be as low as the DAR's 1997 floor amount or as high as the statutory cap of 60% of eligible operating expenses. MDOT will recalculate the State operating assistance percentage in Schedule 2 after audited close-outs based on state-wide eligible expenses.

YATES TOWNSHIP DIAL-A-RIDE
OPERATING AND CONTRACT EXPENSES
For the Year Ended September 30, 2007

SCHEDULE 3

<u>Expenses</u>	Nonurban State Operating FY 2007*	Specialized Services FY 2007	2002-0093Z8 Section 5311 FY 2007	2002-0093Z11 Section 5311 FY 2007	Total
Labor	\$ 686,888				\$ 686,888
Fringe Benefits	234,181				234,181
Audit Costs	5,840				5,840
Services	47,933				47,933
Materials and Supplies	232,979		\$11,903	\$ 8,172	253,054
Utilities	23,344				23,344
Casualty and Liability Costs	88,698				88,698
Purchased Transportation		\$17,048			17,048
Miscellaneous	11,013				11,013
Depreciation	187,569				187,569
Total Expenses	\$1,518,445	\$17,048	\$11,903	\$ 8,172	\$ 1,555,568

*The expenses incurred for the State operating assistance are the same as the expenses incurred for the Section 5311 Federal operating assistance with the exception of the audit cost. A Single Audit was not required and is, therefore, ineligible for Federal assistance.

**YATES TOWNSHIP DIAL-A-RIDE
OPERATING ASSISTANCE REPORT--NONURBAN
TOWNSHIP REGULAR SERVICE REVENUES
For the Year Ended September 30, 2007**

SCHEDULE 4R

REVENUE SCHEDULE REPORT

CODE	DESCRIPTION	AMOUNT
401:	Farebox Revenue	
40100	Passenger Fares	\$ 32,703
40200	Contract Fares	594,399
407:	NonTrans Revenues	
40710	Sales of Maintenance Services	4,163
408:	Local Revenue	
40800	Taxes Levied Directly for/by Transit Agency	166,095
411:	State Formula and Contracts	
41101	State Operating Assistance	513,538
41110	Line-Item Municipal Credit (Prior Year Adjustments)	19,768
41114	Other Capital Contract Reimbursed for Operating Expenses	4,015
413:	Federal Contracts	
41301	Federal Section 5311	225,055
41314	Other Capital Contract Reimbursed for Operating Expenses	16,060
41398	RTAP	2,622
414:	Other Revenue	
41400	Interest Income	75,832
TOTAL REVENUES		\$1,654,250

**YATES TOWNSHIP DIAL-A-RIDE
OPERATING ASSISTANCE REPORT--NONURBAN
TOWNSHIP REGULAR SERVICE EXPENDITURES
For the Year Ended September 30, 2007**

SCHEDULE 4E

EXPENSE SCHEDULE REPORT

CODE	DESCRIPTION	OPER- ATIONS	MAINT- ENANCE	ADMINI- STRATION	TOTAL
501:	Labor				
50101	Operators' Salaries and Wages	\$ 344,355			\$ 344,355
50102	Other Salaries and Wages		\$ 130,633	\$ 106,354	236,987
50103	Dispatchers' Salaries and Wages	105,546			105,546
502:	Fringe Benefits				
50200	Other Salaries and Wages	144,776	36,463	40,112	221,351
50201	Pensions	5,510	4,149	3,171	12,830
503:	Services				
50302	Advertising Fees			7,143	7,143
50305	Audit Cost			5,840	5,840
50399	Other Services	22,777	5,877	12,136	40,790
504:	Materials and Supplies				
50401	Fuel & Lubricants	148,430			148,430
50402	Tires & Tubes	18,309			18,309
50404	Major Supplies	4,933		4,326	9,259
50499	Other Materials and Supplies	59,872	7,235	9,949	77,056
505:	Utilities				
50500	Utilities			23,344	23,344
506:	Insurance				
50603	Liability Insurance	77,033			77,033
50699	Other Insurance			11,665	11,665
507:	Taxes and Fees				
50700	Taxes and Fees	410			410
509:	Miscellaneous Expenses				
50902	Travel, Meetings, & Training	327	1,590	4,456	6,373
50903	Association Dues & Subscriptions			1,988	1,988
50999	Other Miscellaneous Expenses			2,242	2,242

YATES TOWNSHIP DIAL-A-RIDE
 OPERATING ASSISTANCE REPORT--NONURBAN
 TOWNSHIP REGULAR SERVICE EXPENDITURES
 For the Year Ended September 30, 2007

SCHEDULE 4E
 (CONTINUED)

EXPENSE SCHEDULE REPORT

CODE	DESCRIPTION	OPER- ATIONS	MAINT- ENANCE	ADMINI- STRATION	TOTAL
513:	Depreciation				
51300	Depreciation	167,268	2,290	18,011	187,569
TOTAL EXPENSES		1,099,546	188,237	250,737	1,538,520
550:	Ineligible Expenses				
55007	Ineligible Depreciation	162,208	1,980	17,641	181,829
55009	Ineligible Percent of Association Dues			140	140
560:	Ineligible Expenses				
56001	Ineligible Expenses Associated with Sale of Maintenance		4,163		4,163
574:	Ineligible Expenses				
57402	Ineligible RTAP			2,622	2,622
576:	Ineligible Expenses				
57604	Other Ineligible Operating Expenses Paid by Capital Contracts	20,075			20,075
TOTAL INELIGIBLE EXPENSES		182,283	6,143	20,403	208,829
TOTAL ELIGIBLE EXPENSES		\$ 917,263	\$ 182,094	\$ 230,334	\$1,329,691

**YATES TOWNSHIP DIAL-A-RIDE
OPERATING ASSISTANCE REPORT
NONURBAN TOWNSHIP--REGULAR SERVICE
NONFINANCIAL DATA--UNAUDITED
For the Year Ended September 30, 2007**

SCHEDULE 4N

NONFINANCIAL SCHEDULE REPORT

CODE	DESCRIPTION	Weekday DR	Saturday and Sunday DR	TOTAL
Public Service				
610	Vehicle Hours	25,829	1,675	27,504
611	Vehicle Miles*	417,118	21,500	438,618
615	Passengers--Regular	154,077	5,500	159,577
616	Passengers--Elderly	11,867	790	12,657
617	Passengers--Persons w/Disabilities	6,592	408	7,000
618	Passengers--Elderly Persons w/Disabilities	10,680	711	11,391
622	Total Demand-Response Passengers	183,216	7,409	190,625
625	Days Operated	253	51	304

Vehicle Information		Quantity
655	Total Demand Response Vehicles	21
656	Demand-Response Vehicles	16
658	Total Transit Vehicles	23

Miscellaneous Information		Quantity DR
656	Demand-Response Vehicles	57,422
661	Total Transit Agency Employees	26

*Mileage is computed from daily logs maintained by the Dial-A-Ride and then computed and entered into the Operating Assistance Report using the codes above as required by the Local Public Transit Revenue and Expense Manual issued by the Michigan Department of Transportation.

**YATES TOWNSHIP DIAL-A-RIDE
OPERATING ASSISTANCE CALCULATION
For the Year Ended September 30, 2007**

SCHEDULE 5

	<u>Nonurban</u>
Total Operating Expenses	<u>\$1,555,568</u>
Less: Ineligible Expenses	
Depreciation	181,828
Other Operating Expenses Paid by Capital Contracts	20,075
Dues	<u>140</u>
Total Ineligible Expenses per R&E Manual	<u>202,043</u>
Subtotal	<u>1,353,525</u>
Less: Project Revenue	
Specialized Services	17,048
Non-Transportation Revenue--Outside Vehicle Maintenance Services	4,163
RTAP Training Grant	<u>2,622</u>
Total Project Revenue	<u>23,833</u>
Total State Eligible Expenses	<u><u>\$1,329,692</u></u>

Eligible Expenses for State Reimbursement	\$1,329,692
Reimbursement Percentage	<u>38.6208%</u>
State Operating Assistance	<u><u>\$ 513,538</u></u>

Total Federal Eligible Expenses

Less: Additional Federal Ineligible Expenses per A-87	
Audit Costs	<u>\$ 5,840</u>

Eligible Expenses for Federal Reimbursement	1,323,852
Reimbursement Percentage	<u>17.00%</u>
Federal Section 5311 Operating Assistance	<u><u>\$ 225,055</u></u>



JENNIFER M. GRANHOLM
GOVERNOR

STATE OF MICHIGAN
DEPARTMENT OF TREASURY
LANSING

ROBERT J. KLEINE
STATE TREASURER

November 29, 2007

Yates Township
Dial-A-Ride
P.O. Box 147
Idlewild, Michigan 49642

RE: Report on Internal Control Over Financial Reporting and on Compliance and Other Matters Based on an Audit of the Financial Statements Performed in Accordance With Government Auditing Standards

Dear Board Members:

We have audited the financial statements of the Yates Township Dial-A-Ride, a component unit of Yates Township, Lake County, Michigan, as of and for the year ended September 30, 2007, and have issued our report thereon dated November 29, 2007. We conducted our audit in accordance with auditing standards generally accepted in the United States of America and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States.

Internal Control Over Financial Reporting

In planning and performing our audit, we considered the Yates Township Dial-A-Ride's internal control over financial reporting as a basis for designing our audit procedures for the purpose of expressing our opinion on the financial statements, but not for the purpose of expressing an opinion on the effectiveness of Yates Township Dial-A-Ride's internal control over financial reporting. Accordingly, we do not express an opinion on the effectiveness of Yates Township Dial-A-Ride's internal control over financial reporting.

A control deficiency exists when the design or operation of a control does not allow management or employees, in the normal course of performing their assigned functions, to prevent or detect misstatements on a timely basis. A significant deficiency is a control deficiency, or combination of control deficiencies, that adversely affects the Dial-A-Ride's ability to initiate, authorize, record, process or report financial data reliably in accordance with generally accepted accounting principles such that there is more than a remote likelihood that a misstatement of the Dial-A-Ride's financial statements that is more than inconsequential will not be prevented or detected by the Dial-A-Ride's internal control.

A material weakness is a significant deficiency, or combination of significant deficiencies, that results in more than a remote likelihood that a material misstatement of the financial statements will not be prevented or detected by the Dial-A-Ride's internal control.

Our consideration of the internal control over financial reporting was for the limited purpose described in the first paragraph of this section and would not necessarily identify all deficiencies in internal control that might be significant deficiencies or material weaknesses. We did not identify any deficiencies in internal control over financial reporting that we consider to be material weaknesses, as defined above.

Compliance and Other Matters

As part of obtaining reasonable assurance about whether the Yates Township Dial-A-Ride's financial statements are free of material misstatement, we performed tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements, noncompliance with which could have a direct and material effect on the determination of financial statement amounts. However, providing an opinion on compliance with those provisions was not an objective of our audit and, accordingly, we do not express such an opinion. The results of our tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards.

This report is intended solely for the information of the Yates Township Dial-A-Ride's Board of Trustees, the Dial-A-Ride's management, others within the Dial-A-Ride, and Federal and State awarding agencies and pass-through entities and is not intended to be and should not be used by anyone other than these specified parties. However, this report is a matter of public record and its distribution is not limited.



Cary Jay Vaughn, CPA, CGFM
Audit Manager
Local Audit and Finance Division